MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

1911, 2019/ 2020

BAM7014 – ACCOUNTING FOR MANAGERS

(MBA Full Time)

25 SEPTEMBER 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consist of **SIX (6)** pages (including the cover page).

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **<u>Answer Booklet</u>** provided.

QUESTION 1

HAIYO Sdn. Bhd. manufactures two types of DVD players, a deluxe model and a standard model. The deluxe model is a multi-format progressive-scan DVD player with networking capability, Dolby digital, and DTS decoder. The standard model's primary feature is progressive-scan. Annual production is 20,000 units for the deluxe and 50,000 units for the standard.

Both products require 2 hours of direct labour for completion. Therefore, total annual direct labour hours are 140,000 or [2 hrs. x (20,000 + 50,000)]. Expected annual manufacturing overhead is RM980,000. Thus, the predetermined overhead rate is RM7 or (RM980,000 / 140,000) per direct labour hour. The direct materials cost per unit is RM11 for the deluxe model and RM42 for the standard model. The direct labour cost is RM18 per unit for both the deluxe and the standard models.
The company's managers identified six activity cost pools and related cost drivers and accumulated overhead by cost pool as follows.

Activity Cost Pool	Cost Driver	Estimated Overhead	Expected Use of Cost Drivers	Expected Use of Drivers by Product Deluxe	Standard
Purchasing	Orders	RM130,000	400	100	300
Receiving	Pounds	30,000	20,000	4,000	16,000
Assembling	Number of parts	370,000	74,000	20,000	54,000
Testing	Number of tests	115,000	23,000	10,000	13,000
Finishing	Units	140,000	70,000	20,000	50,000
Packing and shipping	Pounds	195,000	80,000	18,000	62,000
		$\boxed{\text{RM980,000}}$			

Required:

a) Under traditional product costing, compute the total unit cost of both products. Prepare a simple comparative schedule of the individual costs by product.

(5 marks)

b) Under ABC, prepare a schedule showing the computations of the activity-based overhead rates (per cost driver).

(5 marks)

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c) Prepare a schedule assigning each activity's overhead cost pool to each product based on the use of cost drivers. (Include a computation of overhead cost per unit, rounding to the nearest cent.)

(5 marks)

d) Compute the total cost per unit for each product under ABC.

(5 marks)

e) Classify each of the activities as a value-added activity or a non-value-added activity.

(5 marks)

(TOTAL: 25 MARKS)

QUESTION 2

ANDROMEDON Sdn. Bhd. has collected the following information after its first year of sales. Net sales were RM2,000,000 on 100,000 units; selling expenses RM400,000 (30% variable and 70% fixed); direct materials RM600,000; direct labour RM340,000; administrative expenses RM500,000 (30% variable and 70% fixed); manufacturing overhead RM480,000 (20% variable and 80% fixed).

Top management has asked you to do a CVP analysis so that it can make plans for the coming year. It has projected that unit sales will increase by 20% next year.

Required:

a) Compute the followings:

(1) the contribution margin for the current year and the projected year, and

(2) the fixed costs for the current year. (Assume that fixed costs will remain the same in the projected year.)

(10 marks)

b) Compute the break-even point in units and sales dollars.

(5 marks)

c) The company has a target net income of RM374,000. What is the required sales in dollars for the company to meet its target?

(5 marks)

d) If the company meets its target net income number, by what percentage could its sales fall before it is operating at a loss? That is, what is its margin of safety ratio?

(5 marks)

(TOTAL: 25 MARKS)

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QUESTION 3

The management of OVONEL Sdn. Bhd. is trying to decide whether to continue manufacturing a part or to buy it from an outside supplier. The part, called NIZNE, is a component of the company's finished product. The following information was collected from the accounting records and production data for the year ending December 31, 2009.

1) 6,000 units of NIZNE were produced in the Machining Department.

2) Variable manufacturing costs applicable to the production of each NIZNE unit were: direct materials RM4.75, direct labour RM4.60, indirect labour RM0.45, utilities RM0.35.

3) Fixed manufacturing costs applicable to the production of NIZNE were:

Cost Item	Direct	Allocated
Depreciation	RM1,100	RM 900
Property taxes	500	200
Insurance	900	600
	RM2,500	RM1,700

All variable manufacturing and direct fixed costs will be eliminated if NIZNE is Purchased. Allocated costs will have to be absorbed by other production departments.

4) The lowest quotation for 6,000 NIZNE units from a supplier is RM66,000.

5) If NIZNE units are purchased, freight and inspection costs would be RM0.30 per unit, and receiving costs totalling RM750 per year would be incurred by the Machining Department.

Required:

a) Prepare an incremental analysis for NIZNE. Your analysis should have columns for (1) Make NIZNE, (2) Buy NIZNE, and (3) Net Income Increase/Decrease.

(10 marks)

b) Based on your analysis, what decision should management make?

(5 marks)

c) Would the decision be different if Finnegan Company has the opportunity to produce RM6,000 of net income with the facilities currently being used to manufacture NIZNE? Show computations.

(5 marks)

d) What nonfinancial factors should management consider in making its decision?

(5 marks)

(TOTAL: 25 MARKS)

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QUESTION 4

A. TENDER Sdn. Bhd. operates the Home Appliance Division as a profit centre. Operating data for this division for the year ended December 31, 2018, are shown below.

	Budget	Difference from Budget
Sales	RM2,400,000	RM100,000 U
Cost of goods sold		
Variable	1,200,000	60,000 U
Controllable fixed	200,000	8,000 F
Selling and administrative		
Variable	240,000	8,000 F
Controllable fixed	60,000	4,000 U
Noncontrollable fixed costs	50,000	2,000 U

In addition, TENDER Sdn. Bhd. incurs RM150,000 of indirect fixed costs that were budgeted at RM155,000. Twenty percent (20%) of these costs are allocated to the Home Appliance Division. None of these costs are controllable by the division manager.

Required:

a) Prepare a responsibility report for the Home Appliance Division (a profit centre) for the year. (5 marks)

b) Comment on the manager's performance in controlling revenues and costs. (5 marks)

c) Identify any costs excluded from the responsibility report and explain why they were excluded. (5 marks)

B. Please read the following scenario before answering the question.

Sometimes things happen that cause managers to re-evaluate their normal purchasing patterns. Consider, for example, the predicament that businesses faced when the price of many raw materials recently skyrocketed. Rubber, cotton, oil, corn, wheat, steel, copper and spices prices were seemingly going straight up. Anticipating that prices might continue to go up, many managers decided to stockpile much larger quantities of raw materials to avoid paying even higher prices in the future.

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For example, after cotton prices rose 92%, one manager of a printed t-shirt manufacturer decided to stockpile a huge supply of plain t-shirts in anticipation of additional price increases. While he normally has about 30 boxes of t-shirts in inventory, he purchased 2500 boxes.

Required:

Elaborate **THREE (3)** potential downsides of stockpiling a huge amount of raw materials.

(10 marks)
(TOTAL: 25 MARKS)

End of Paper